

Public  
Employees'  
Retirement  
System

# PERS Plan 3 Employer Update

Local Government Employers' Edition

## Initial Transfer Window to Open

The initial transfer window for Public Employees' Retirement System (PERS) Plan 2 members who work for local government employers to transfer to PERS Plan 3 opens September 1. The transfer window runs from September 1, 2002 through May 31, 2003.

PERS Plan 2 members hired prior to September 1, 2002, will be eligible to transfer to PERS Plan 3 during the transfer window. Those members who transfer to PERS Plan 3 during the initial transfer window, and who earned service credit in June 2002, or will earn service credit in February 2003, will be eligible for the 111 percent transfer payment (see *Second Transfer Payment Qualification Month Added* on page 2). The transfer payment will be credited to all eligible member accounts in June 2003.

### Who can transfer to Plan 3?

Employers should keep in mind that only active employees working in a PERS-eligible position may transfer to Plan 3. Employees who are retired, working in an ineligible position or in a LEOFF position can not transfer to PERS Plan 3.

## Plan 3 Reporting Begins

With the September 2002 Transmittal Report, employers must be prepared to report Plan 3 members. The employer's receipt of the Plan 3 Member Information Form determines which transmittal report will include the transfer and/or choice date.

It is important that employers report this information in a timely manner to ensure that a member's contributions, transfer and gain sharing payments are applied to eligible members' accounts. Please contact the Department of Retirement Systems' (DRS') Employer Support Services (ESS) unit at the number listed under *Resources* on Page 8 if you have questions, are ready to submit a test file or need additional information.

## PERS Plan 3 Member Newsletter

Enclosed with this *PERS Plan 3 Employer Update* please find advanced copies of the third issue of the *PERS Plan 3 Transfer Decision News* member newsletter. DRS will mail this newsletter to the home addresses of PERS Plan 2 members in early August 2002.

This edition of ***PERS Plan 3 Transfer Decision News*** includes articles on the new PERS Plan 3 transfer payment service credit month, how to transfer to PERS Plan 3, PERS Plan 2 or Plan 3 Transfer Decision FAQs and resource information.

As an employer, you are encouraged to display the enclosed newsletters in appropriate locations at your work site to provide members with additional access to PERS Plan 3 information.

## Second Transfer Payment Qualification Month Added

In March 2002, the Washington State Legislature passed legislation that allows PERS Plan 2 members who work for local government employers, and who transfer during the initial transfer window, to receive the transfer payment if they earned service credit in June 2002, or if they earn service credit in February 2003. No minimum amount of service credit is required.

Previously, members transferring to PERS Plan 3 during the transfer window (September 1, 2002 to May 31, 2003) had to earn service credit in February 2003 to qualify for the transfer payment. The transfer payment will be applied to qualifying members' accounts in June 2003.

## PERS Plan 3 Education Booklets

DRS mailed ***Journey to Retirement: PERS Plan 2 or Plan 3 Transfer Decision*** booklets to employers in May 2002. These booklets were also mailed in May 2002 to the homes of PERS Plan 2 members who were employed as of January 2002.

The booklets contain information to help members decide whether to stay in PERS Plan 2 or transfer to PERS Plan 3. In addition, the booklets include a flyer describing changes to the transfer payment criteria per 2002 legislation, an "At a Glance" document, and a letter that details the member's March 1, 2002 PERS Plan 2 account balance and service credit. The letter also directs them to the financial modeling software.

Employers also received a supply of ***Journey to Retirement: PERS Plan 2 or Plan 3 Transfer Decision*** booklets in May 2002 for distribution to new employees hired between February 2002 and August 31, 2002, or employees who are rehired after Plan 3 launches in September 2002.

***PERS Plan 2 or Plan 3 New Member Plan Choice*** packets for PERS Plan 2 members who first establish membership on or after September 1, 2002 will be mailed to employers by the first week in August 2002. Employers should distribute the ***PERS Plan 2 or Plan 3 New Member Plan Choice*** packets to new employees immediately upon their employment. These materials have been designed to provide new members with information to help them make a decision about selecting PERS Plan 2 or PERS Plan 3. Remember, new members have 90 days to make this decision.

The ***PERS Plan 3 Investment Education*** materials will be mailed to employers in August 2002. These materials provide members with detailed information about Plan 3 investment options. The ***PERS Plan 3 Investment Education*** materials will be available to members at the investment education seminars, so they should only be distributed to members who request them.

The booklet includes a thorough description of each plan and provides members with information to help them make their choice. The letter includes information on the transfer payment, retroactive gain sharing payment and years of service credit.

DRS has detected a small number of ***Journey to Retirement: PERS Plan 2 or Plan 3 Transfer Decision*** booklets which have a printing error. To determine if your booklets are correct, look on page 19.

If page 19 is a full-page yellow and pink comparison chart, the booklet is correct. If page 19 of the booklet is a blank “Notes” page, the booklet has an error and must be replaced. Please contact DRS if you have one of these booklets and a new booklet(s) will be mailed to you. For more information, contact DRS at the appropriate number listed under *Resources* on page 8.

### Transfer/Choice and Investment Education Videos

The ***Journey to Retirement: PERS Plan 2 or Plan 3 Transfer Decision*** video was mailed to employers in May 2002. The ***PERS Plan 2 or Plan 3 New Member Plan Choice*** and ***PERS Plan 3 Investment Education*** videos were mailed to employers in July and August 2002.

Employers should use the ***PERS Plan 2 or Plan 3 New Member Plan Choice*** video as part of their new employee orientation, and for member checkout upon request. The ***Journey to Retirement: PERS Plan 2 or Plan 3 Transfer Decision*** and ***PERS Plan 3 Investment Education*** videos should also be provided to members for checkout upon request.

After receiving any of the materials listed on page 4, if additional copies are needed, please use the appropriate telephone numbers listed under *Resources* on page 8.

### Poster/Flyer Mailing

In May 2002, DRS sent employers ***Journey to Retirement*** posters and flyers. The posters and flyers will inform members how to obtain information about, and how to register for, PERS Plan 3 transfer and investment education seminars. Employers should display the posters and flyers in prominent locations such as lunch and break rooms.

## Items Employers Will Receive

The table below indicates the timeline for a number of items that DRS has mailed, or will mail, to employers. If the date indicated has passed and you have not received the items listed below, please call the appropriate numbers listed under *Resources* on page 8.

Items Mailed by DRS	Date	For Whom?
<i>DRS Employer Handbook</i>	February and April 2002	Employers
<i>PERS Plan 1 and Plan 2 Member Handbooks</i>	February 2002	Plan 1 and Plan 2 members
<i>Journey to Retirement PERS Plan 2 or Plan 3 Transfer Decision</i> packets* and videos	May 2002	Plan 2 members who establish membership prior to September 1, 2002
<i>Journey to Retirement</i> Posters and Flyers	April 2002 - May 2002	PERS Plan 2 members seeking information regarding PERS seminars
<i>New Member Plan Choice</i> packets and videos	July 2002 - August 2002	Plan 2 members with original hire/ membership date on or after September 1, 2002
<i>PERS Plan 3 Investment Education</i> materials and videos	August 2002	Members who choose Plan 3 and/or need more information about Plan 3 investments
<i>PERS Plan 3 Member Handbooks</i>	August 2002- September 2002	Plan 2 members who request them and ALL Plan 3 members

\* *This packet was mailed directly to members' homes if they were employed as of January 2002. Employers received copies (totaling about 10 percent of their current Plan 2 membership, or at least a minimum of three copies) for new employees.*

## Internet Services

DRS implemented new electronic services this spring that allow employers to use the Internet to submit Regular and Correction Transmittal Reports. Many employers have already signed up for this process that replaces the paper form employers use today. The paper form is still accepted from employers who do not have access to the Internet. These new services are available to help ensure that employers submit accurate and timely member information. The new Internet services will also allow employers to verify the status of a new employee such as:

- Is the employee already a PERS member?
- Is the employee retired?
- To what plan does a member belong?
- If Plan 2, is an employee eligible to transfer to Plan 3?
- Is the employee a new member who has up to 90 days to select a retirement plan?

## Employer Training

ESS is working closely with employers to coordinate PERS Plan 3 training. In-depth PERS Plan 3 training sessions with employers began in May 2002 and will continue through August 2002. Please follow the instructions below and sign-up if you have not already done so.

The sessions cover topics such as new forms required by PERS Plan 3, new reporting requirements, and Plan 3 impacts to the Edit Message Report and the Statement of Account Activity. ESS encourages Human Resources/Benefits and Payroll staff to attend one of these workshops.

### Who should attend the training?

Staff members who answer “yes” to any of the following questions are encouraged to sign-up for one of the classes on the DRS Web site at [http://www.wa.gov/drs/employer/train/index\\_phase2.htm](http://www.wa.gov/drs/employer/train/index_phase2.htm). **It is imperative that both the Human Resource/Benefits and Payroll sections of your organization are represented at these training workshops.**

- Are you unsure of what you need to make the implementation of Plan 3 successful for your employees/members of PERS?
- Do you provide DRS forms to new employees?
- Do you enter information about new employees into your payroll system?
- Will you be providing new employees with the new packets (Transfer or Choice) that describe their retirement choices?
- Do you provide new employee orientation classes?
- Do you receive the Edit Message Report or the Statement of Account Activity from DRS?

### Registration

Employers may view a schedule of workshops at:

[http://www.wa.gov/drs/employer/train/index\\_phase2.htm](http://www.wa.gov/drs/employer/train/index_phase2.htm).

The training sessions are scheduled to run through August 2002.

## Purchasing Service Credit

If you have employees who did not work in June 2002 because they were on an authorized leave of absence, they may be eligible to buy back the service credit for June 2002. Please refer the member to the *Plan 3 Recovery of Withdrawn or Optional Service Credit* brochure available on the DRS Web site or call DRS for more information. Refer to the appropriate contact number listed under *Resources* on page 8 for more information.

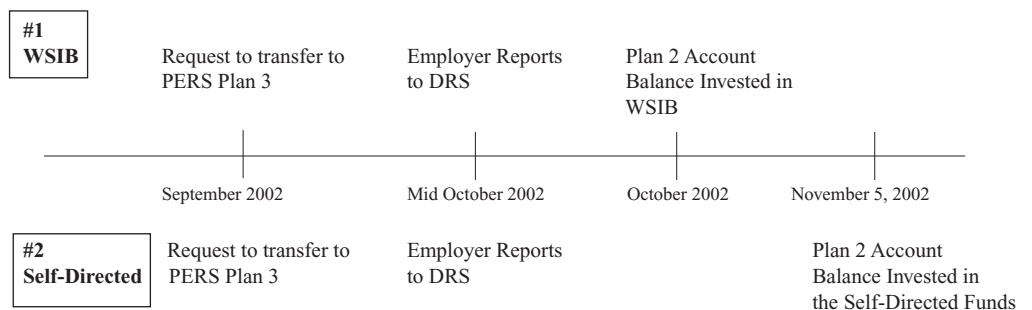
## Updated Early Retirement Reduction Factors

Early retirement reduction factors are periodically updated by the Office of the State Actuary. New factors will be available in September. Check the DRS Web site for updated actuarial factors.

## Timeline for Account Balance Transfer to Plan 3

PERS Plan 3 members should be aware that the timeline for the transfer of their Plan 2 account balance to Plan 3 varies, depending on which investment program they select. PERS Plan 3 members may place their retirement account balance into the Washington State Investment Board (WSIB) Investment Program or the Self-Directed Investment Program. Employees may contact you if they have questions regarding why their account balance is not immediately available in the ICMA-Retirement Corporation (ICMA-RC) record-keeping system. The examples in the tables below illustrate the PERS Plan 3 account balance transfer timeline.

Example of steps in the balance transfer process	
<p>A member turns in the Member Information Form to their employer.</p> <p>Employer sends the member's information to DRS at the employer's next reporting cycle. This can take up to six weeks.</p> <p>DRS sends the member's information to the record keeper. This takes a minimum of two days.</p> <p>The record keeper sends a "Welcome to PERS Plan 3" letter to the member's home two days after the record keeper receives the data.</p> <p>The time line for the member to review their account information depends on the member's investment program choice: The Self-Directed Investment Program or the WSIB Investment Program.</p>	
The Self-Directed Investment Program	The WSIB Investment Program
<p>Members can view account balance information the second business day of the month following the month the employer sends information to DRS, as long as it was transmitted to the record keeper on or before the third to the last business day of the month.</p> <p>The total length of the transfer process for a Self-Directed Investment Program member can be up to eight weeks.</p>	<p>Members can view account balance information two business days after the member information is transmitted to the record keeper.</p> <p>The total length of the transfer process for a WSIB Investment Program member can be up to seven weeks.</p>





## Member Seminars

DRS' Plan 3 education provider, ICMA-RC, is conducting transfer, investment education and distribution seminars for members. Transfer education seminars began in June 2002 and investment education seminars will begin in September 2002. ICMA-RC began contacting employers in April to arrange scheduling and registration for transfer education seminars. Employers are encouraged to reserve a portion of their transfer education seminars and schedule them towards the end of the transfer window as past experience has shown that many members wait to attend a seminar until near the close of the transfer window.

ICMA-RC will ask employers how they want members to sign-up. Members will also be able to register through the transfer education Web site at <http://www.wa.gov/DRS/member/pers/2or3>. Employers should periodically review this site and inform their employees of local seminars. For questions about transfer and/or investment education seminars, contact Stephanie Dutton, Field Director with ICMA-RC, at 1-800-735-7202 (ext. 5990).

For a complete listing of currently scheduled seminars, visit the ICMA-RC Web site at <http://www.icmarc.org/pers/joining/education/seminars.html> for investment education seminars, or <http://www.icmarc.org/pers/transfer/seminars.html> for transfer education seminars.

## IRS Approves DRS Petition on Contribution Rates

DRS recently received approval from the Internal Revenue Service (IRS) to provide an annual window for Teachers' Retirement System (TRS) Plan 3 members to change their contribution rates. DRS will seek executive request legislation during the 2003 session to authorize this change in state law. IRS approval of the DRS proposal opens the way for DRS to seek similar IRS approval for School Employees' Retirement System (SERS) Plan 3 and PERS Plan 3 this summer.

**The IRS must approve the SERS and PERS requests and the legislature must enact the executive request legislation before DRS can implement these changes.** Given these approvals the first open window for Plan 3 members to change their contribution rates is anticipated to be January 2004.

Under current state law, a member's choice of contribution rate is irrevocable unless the member changes employers. DRS has received numerous requests since the inception of TRS Plan 3 in 1996 to provide Plan 3 members with some flexibility to change their contribution rates. DRS worked with the Employee Retirement Benefits Board to develop the proposal that was submitted to the IRS as part of the formal TRS 3 plan qualification process.

Under this proposal an additional contribution rate has been added to the basic rate of 5 percent. This provides members with the flexibility to contribute amounts that will help them achieve their retirement goals. When added together, the rates equal the six options currently provided to Plan 3 members. See the proposed contribution rate table on page 8.

At this point in time, we do not anticipate any changes to the current reporting requirements. But as more information becomes available, DRS will work closely with employers to see what impacts the change may have on employer reporting.

CONTRIBUTIONS	PROPOSED CONTRIBUTION RATES*		
	MANDATORY	ADDITIONAL	TOTAL
<b>Option A</b>			
All ages	5%	0.0%	5%
<b>Option B</b>			
Up to age 35	5%	0.0%	5%
Age 35 to 44	5%	1.0%	6%
Age 45 & above	5%	2.5%	7.5%
<b>Option C</b>			
Up to age 35	5%	1.0%	6%
Age 35 to 44	5%	2.5%	7.5%
Age 45 & above	5%	3.5%	8.5%
<b>Option D</b>			
All ages	5%	2.0%	7%
<b>Option E</b>			
All ages	5%	5.0%	10%
<b>Option F</b>			
All ages	5%	10.0%	15%

*\*This rate table reflects the contribution rates approved by the IRS in DRS' recent proposal. Before the rates can take effect, executive request legislation must pass in the State Legislature. For more information, see article on page 7.*

## Resources

**Internet Site:** Additional information will be posted to the Web site at:

<http://www.wa.gov/DRS>

**Employers:** If you have questions, contact ESS at:

**1-800-547-6657 (ext. 47200) or (360) 664-7200**

To order transfer/choice packets/videos, or handbooks, contact DRS at:

**1-800-547-6657 (ext. 47066) or (360) 664-7066**

To order additional investment education packets, videos and posters/flyers, contact ICMA-RC at:

**1-888-711-8773**

**Members:** If members have questions, they can contact DRS at:

**1-800-547-6657 or (360) 664-7000**